

**HIGHLIGHTS OF THE ECONOMIC POLICY OF
THE LEBANESE GOVERNMENT
EXTRACTED FROM THE MINISTERIAL POLICY
STATEMENT
- NOVEMBER 2000 -**

The Ministerial policy statement outlines the political and economic vision of the Lebanese government¹. The statement is divided into fourteen sections, which tackle the various critical issues of the Republic and the everyday concerns of its citizens. The document displays the Government's commitment to achieve national reconciliation and the complete return of all the displaced. It also shows the importance the government is attaching to the supremacy of the law and the protection of its citizens, the freedom of the media and civil liberties. Moreover, special attention is paid to the future role of Lebanon's youth and on further enhancing culture and education. Agriculture and agricultural industry, housing, the environment, public works and transport, tourism, industry, and labor were also given utmost importance and relevance and were discussed in separate sections in the statement.

The economic section of the policy statement illustrates the government's vision to successfully guide the economy into the 21st century by designing a modern, dynamic, and a more prosperous future for the Lebanese economy. This entails embarking on a modernization, deregulation and administrative simplification campaign as well as liberalization and further global integration, thus repositioning Lebanon as a regional economic hub based on its comparative advantages. It also displays the government's commitment to work concurrently on overcoming the socio-economic and fiscal challenges. The main policy objectives of the government could be summarized as follows:

- Reviving and modernizing the economy and placing it on a sustainable growth path, which in turn addresses the fiscal deficit.

- Inducing the private sector to act as the engine of growth, by creating a conducive and liberal economic environment that enables it to prosper.
- Integrating Lebanon with the global economy by adopting various liberal economic policy measures, further open-up the economy, and facilitate and encourage international trade.
- Maintaining monetary and financial stability, which have over the past eight years proven to be the cornerstone for investor confidence and social cohesion.

The country is currently facing a number of challenges ranging from a dual deficit/debt issue to economic slowdown. Importantly, the country lost some of its liberal characteristics and saw its public sector grow to unparalleled levels. For these reasons, the government considers the accomplishment of the objectives mentioned above a mission to overcome the numerous challenges.

In order to be able to realize its ultimate goal of long-term sustainable economic growth and social development, the government is determined to adopt the set of policy measures and reforms that are summarized below:

- I. **The Government is determined to develop and modernize the legal, administrative, and regulatory framework in order to provide incentives for the private sector and contribute to the national economy's sustainable growth, while committing to maintaining legislative stability, and respecting its commitments and obligations.** Among the proposed steps are:
 1. Creating a conducive environment for investments through enacting adjustments to a number of related laws (such as the customs law, the code of commerce, the transit law, the social security law, the competition law, the public accounting law and other laws mentioned in detail at the end of the document),
 2. Simplifying administrative procedures and decreasing bureaucratic bottlenecks in order to accelerate the execution of transactions.

¹ This statement was issued by the new government, headed by Prime Minister Mr. Rafic Hariri, which was formed on October 26, 2000. Parliamentary discussions of the policy statement extended from November 26, 2000.

II. The Government is committed to adopt various liberal economic policy measures that facilitate and encourage international trade in the context of integrating Lebanon with the global economy:

1. Conclude the Euro-Mediterranean Partnership Agreement, expedite the accession to the World Trade Organization, finalize the AFTA and sign further bilateral trade agreements.
2. Reinforce confidence in the country's present and future potential including the marketing and selling of Lebanese goods and services to both domestic and external trading partners.
3. Adopt policies to further liberalize the Lebanese economy in order to facilitate its integration with the global economy. Furthermore, the Government will, among other measures, decrease tariff rates, eliminate non-tariff barriers, facilitate the issuance of entry visas, and conduct an "open skies" policy.
4. Develop telecommunication services and reduce their fees in order to stimulate economic activity.
5. Reward and grant exemptions to companies that receive international standards ratings (such as ISO) for their products and services.

III. The Government will pursue privatization, which will help spur economic growth, promote private sector initiative and investment, improve efficiency and effectiveness of the services provided. According to the privatization law, privatization proceeds will be used to reduce public debt.

In order to have a successful privatization process, the government will:

- Ensure that the privatization process be conducted using the best-practice guidelines through ensuring equitable participation of the public at large.
- Utilize and build upon international experience over the past two decades in order to maximize privatization's economic benefits.
- Ensure that competition is allowed through adopting the following methods:
 - Direct sales to strategic investors within conditions set by the government.
 - Direct sale to the public, where certain facilities would be transformed into shareholding companies in which the private sector contributes in different proportions.
 - Other types of privatization include privatization on concession basis in cases of monopolies or Build Operate and Transfer (BOT).

Addressing the Fiscal Issues

The Government is committed on maintaining the fiscal reforms that address the twin challenges of the budget deficit and public debt. The implementation of these reforms coupled with higher economic growth would enhance treasury revenues, which in turn would lead to a gradual enhancement of the fiscal situation. Moreover, the treasury will engross a larger share of national income without affecting citizens' incomes or increasing rates of taxes and fees.

Among the methods the Government is considering to address the fiscal issues are the following:

1. Limiting the increase in spending to necessary investment projects, which will help stimulate economic activity and provide an impetus for growth.
2. Pursuing the reforms it considers necessary to tame the fiscal imbalances, such as, introducing the VAT, improving tax collection, reforming the tax administration, modernizing the debt management system, and rationalizing public expenditure.
3. Pursuing reconstruction and economic revival within its available means, making use of funds available through agreements and concessional loans signed with international organizations and friendly countries.

4. Reactivating suspended projects financed through soft loans.
5. Maintaining the level of social contributions.

Proposed Laws

In addition to the steps mentioned above, the Government will propose the following new legislation for Parliamentary ratification:

1. Amending public accounting laws to simplify procedures.
2. Amending the laws of public tendering and procurement in order to simplify procedures and render them compatible with international standards.
3. Amending some laws in the Code of Commerce that govern trade - and encourage local and foreign investment in order to introduce new technologies and methods, including e-commerce.
4. Modernizing municipal laws and enforcing the prerogatives of local governments in order to empower citizens to share in the decision-making process on local and national levels.
5. Amending the customs law to allow its administration to offer modern, prompt and efficient services. This will galvanize market activity, reduce costs of goods and services, and improve private sector's competitive edge.
6. Devising a modern transit law that encourages such activity.
7. Amending and simplifying a number of construction laws related to the building code.
8. Amending a number of laws governing social security in order to redefine its duties and administrative management techniques, in addition to reducing its cost.
9. Introducing a rental law in order to regulate, on equitable basis, relations between landlords and tenants.
10. Regulating and activating public hospitalization. It is imperative to provide health services to citizens in an effective way to help reduce the government's health bill.
11. Improving Lebanon's competitive edge in information technology by thorough reconsideration of existing legislation and upgrading it to meet international standards, as well as through modernizing the communication and information infrastructure, while reconsidering its costs. This, in addition to renewing the commitment to the protection of intellectual property rights to lure skills to the country and use them as a launching pad for markets in the region.

In short, the government has formulated a comprehensive development program for the economy based on the following fundamentals: maintaining monetary and financial stability, achieving sustainable growth rates, and continuing with the reforms that tackle the fiscal imbalances.